

HNI CORP
Form 10-Q
May 01, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14225

HNI Corporation
Iowa 42-0617510
(State of Incorporation) (I.R.S. Employer No.)

600 East Second Street
P. O. Box 1109
Muscatine, Iowa 52761-0071
(563) 272-7400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an

Edgar Filing: HNI CORP - Form 10-Q

emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$1 Par Value Outstanding as of March 31, 2018 43,529,550

HNI Corporation and Subsidiaries
 Quarterly Report on Form 10-Q

Table of Contents

PART I. FINANCIAL INFORMATION

	Page
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Statements of Comprehensive Income - Three Months Ended March 31, 2018</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets - March 31, 2018 and December 30, 2017</u>	<u>4</u>
<u>Consolidated Statements of Equity - March 31, 2018 and April 1, 2017</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows - Three Months Ended March 31, 2018 and April 1, 2017</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4. <u>Controls and Procedures</u>	<u>27</u>
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	<u>29</u>
Item 1A. <u>Risk Factors</u>	<u>29</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>29</u>
Item 3. Defaults Upon Senior Securities - None	-
Item 4. Mine Safety Disclosures - Not Applicable	-
Item 5. Other Information - None	-
Item 6. <u>Exhibits</u>	<u>30</u>
<u>Signatures</u>	<u>31</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HNI Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended	
	March 31,	April 1,
	2018	2017
Net sales	\$505,069	\$477,667
Cost of sales	328,150	303,944
Gross profit	176,919	173,723
Selling and administrative expenses	171,895	163,666
Restructuring charges	1,338	2,123
Operating income	3,686	7,934
Interest income	113	71
Interest expense	2,337	1,046
Income before income taxes	1,462	6,959
Income tax expense (benefit)	(999)) 2,178
Net income	2,461	4,781
Less: Net income (loss) attributable to non-controlling interest	(49)) (56)
Net income attributable to HNI Corporation	\$2,510	\$4,837
Average number of common shares outstanding – basic	43,359,971	44,050,040
Net income attributable to HNI Corporation per common share – basic	\$0.06	\$0.11
Average number of common shares outstanding – diluted	44,134,142	45,452,664
Net income attributable to HNI Corporation per common share – diluted	\$0.06	\$0.11
Foreign currency translation adjustments	\$1	\$345
Change in unrealized gains (losses) on marketable securities, net of tax	(79)) 18
Change in derivative financial instruments, net of tax	1,027	264
Other comprehensive income (loss), net of tax	949	627
Comprehensive income	3,410	5,408
Less: Comprehensive income (loss) attributable to non-controlling interest	(49)) (56)
Comprehensive income attributable to HNI Corporation	\$3,459	\$5,464

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

HNI Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	March 31, 2018	December 30, 2017
Assets		
Current Assets:		
Cash and cash equivalents	\$28,813	\$ 23,348
Short-term investments	1,831	2,015
Receivables	223,043	258,551
Inventories	158,688	155,683
Prepaid expenses and other current assets	47,706	49,283
Total Current Assets	460,081	488,880
Property, Plant, and Equipment:		
Land and land improvements	28,437	28,593
Buildings	285,493	306,137
Machinery and equipment	550,565	556,571
Construction in progress	40,973	39,788
	905,468	931,089
Less accumulated depreciation	530,528	540,768
Net Property, Plant, and Equipment	374,940	390,321
Goodwill and Other Intangible Assets	486,711	490,892
Deferred Income Taxes	193	193
Other Assets	23,214	21,264
Total Assets	\$1,345,139	\$